



Eureka, California

Snake Oil in the Valley of Debt II

By Leo Sears

Back when The Gov was new, I wrote a column entitled "Snake oil in the valley of debt." It was about the grand scheme to lead California out of the valley of debt with the \$15 billion Economic Recovery Bond Act (ERBA) leading the way. "The purpose of this bond," according to the Legislative Analysis Office (LAO), " was to "wipe the slate clean" and eliminate the cumulative budget deficit ... allow(ing) the state to avoid the more severe actions."

The ballot argument for the ERBA couldn't have been more accurate when it said that "state government spending in California is out of control. Over the past three years, state spending has significantly exceeded state revenues." But their promise that it would "allow California to get its financial house in order" was not to be.

Reasonable and rational people (a truly rare commodity in Sacramento) would have used the \$15 billion "clean slate" as a step toward actually balancing the state's budget. Instead we've gotten the same sort of "medicine show" year after year.

Like an addict promising to quit after this one last time, the ERBA was accompanied by the California Balanced Budget Act, promising that it tears up credit card spending."

My saying that it was "as full of holes as Swiss cheese" has proven all to true. The unabated budget gimmickry and legislative slight-of-hand has driven the state's indebtedness and budget deficit ever higher.

The current budget deficit has gone from \$6 billion to \$10 billion, and the hubris has reached an all time high. The LAO's list of possible responses to the shortfall includes delaying this year's \$1.6 billion scheduled payment on the "wipe the slate clean" bonds -- calling it a "reasonable course" of action.

Each new batch of their "snake oil" remedies has been as deceptive as their earlier cure-all recipes that have done nothing to cure California's financial ills. By all markers, they have an addiction to spending and borrowing that they are incapable of changing as long as we remain the enablers.

I've often wondered if voters really believe the claims that the bond measures they approve "will not raise taxes?" Are they that gullible? Do they simply share Sacramento's

addiction? Is it some of both? The buyers of the bonds must be repaid, and those payments depend on the state's tax revenues, either dedicated or general obligation from the general fund.

Bond indebtedness has reached \$129.4 billion (roughly double that with interest) and tens of billions in new bonds are being proposed -- even as delaying bond repayment is being suggested as a way to reduce a budget deficit that has ballooned to \$10 billion.

Can California's budget problems get any worse? They can. They will -- as long as the borrowing and spending spree continues. "State government spending in California is (still) out of control" and "snake oil in the valley of debt" remains an apt description.